

FREQUENTLY ASKED QUESTIONS
GUIDELINES ON THE REGISTRATION OF VENTURE CAPITAL AND PRIVATE
EQUITY CORPORATIONS AND MANAGEMENT CORPORATIONS

(Issued: 9 March 2015)
(Revised: 28 November 2022)

A. GENERAL

1. Whom are the Guidelines applicable to?

The Guidelines are applicable to corporations undertaking fund management activity in relation to venture capital (VC) or private equity (PE) funds.

2. Can a licensed intermediary carry out VC/PE activities without being registered?

Holders of a Capital Markets Services Licence for fund management in relation to portfolio management (licensed fund managers) are not required to be registered under the Guidelines.

3. Would there be exceptions where the Securities Commission Malaysia (SC) may not approve a registration application?

An application may be approved if the applicant meets all the requirements outlined in the Guidelines. However, the SC will exercise discretion if it is evident that the applicant is not able to satisfy the best interest of Malaysia criteria.

In determining the best interest of Malaysia, the SC will give regard to any one or more of the following:

- (a) The area of specialisation and level of expertise that can be offered to the capital market including the effect on productivity, transference of skills and efficiency and quality of capital market services;
- (b) The risk posed on the systemic stability of the capital market including activities and conduct that will likely impact the orderly functioning of the capital market;
- (c) Contribution towards attracting investments, enhancing market linkages and promoting vibrancy in the capital market;
- (d) Ability in developing strategic or nascent sectors in the capital market; or
- (e) The degree and significance of participation of Malaysians in the capital market.

B. REGISTRATION

4. Are these registration requirements applicable to the funds or the management corporations?

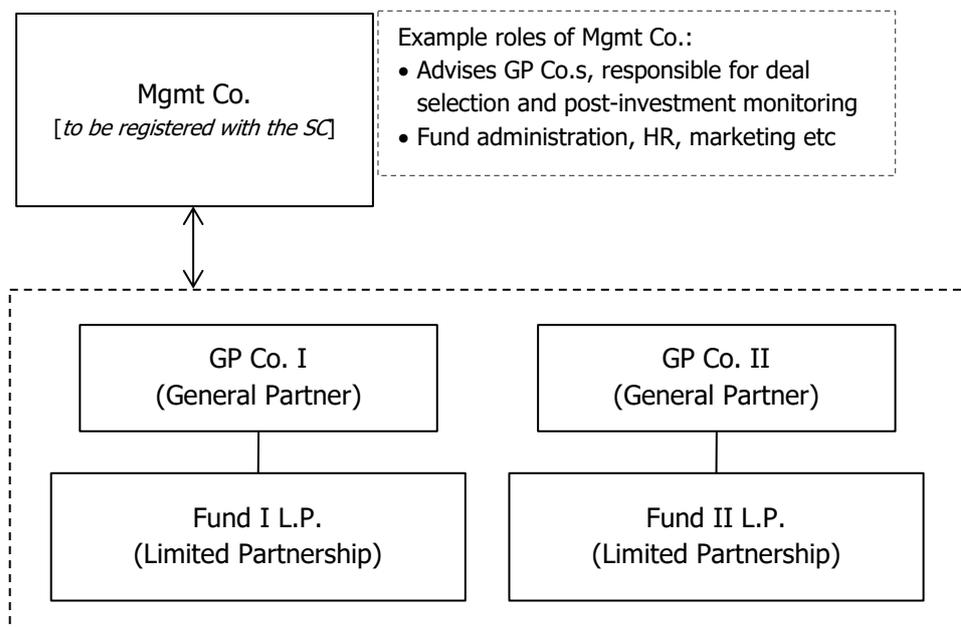
Registration is only required for entity undertaking the regulated activity of fund management in relation to VC or PE funds.

For tax incentive purposes, the registration of funds, as required for the VC management companies to qualify under the incentives, is provided for under the Venture Capital Tax Incentive Guidelines. For more information, please refer to the Venture Capital Tax Incentives Guidelines, Application Kit, and other associated documents available on the SC website: <https://www.sc.com.my/development/vcpe/venture-capital-tax-incentives>.

5. Our firm intends to structure our fund as a limited partnership where a related entity would be appointed as the general partner (GP Co.) and certain services would be rendered by a management company (Mgmt. Co.). Which entity should be registered with the SC?

The entity which should be registered will be the party which is essentially undertaking the fund management functions. This includes deal sourcing, investment research, and monitoring of investee companies. The interested parties are strongly encouraged to consult the SC prior to making an application. See Question 11 for guidance.

In the case of a limited partnership fund arrangement where substantial functions are rendered by the Mgmt Co. and the GP Co. are a related entity to, or controlled by key persons of the Mgmt Co., only the Mgmt Co. is required to be registered with the SC. No additional registration is required by the GP Co. Kindly refer to the diagram below:



6. Our firm, a registered corporation, intends to enter a joint venture with a third party (JV Partner) in the management of a VC or PE fund. A jointly owned entity (JV Co.) will be formed in this arrangement. Will the JV Co. or the JV Partner require registration?

In line with Question 5, the roles in the arrangement should be assessed in order to determine which entity is undertaking VC/PE fund management activities that will require registration.

Consideration may be given in certain circumstances. For example, if the JV Partner is rendering services that are not regulated activities in Malaysia, the JV Partner or JV Co. will not require registration.

If the JV Partner is also a registered corporation or a licensed fund manager, no additional registration is required by the JV Co.

C. RESPONSIBLE PERSONS

7. What relevant industry experience should a responsible person (RP) have?

An RP must demonstrate that he/she has sufficient competency and experience that is expected of his/her role in managing investments of a VC or PE fund.

If an RP does not have prior professional experience in a VC or PE fund, relevant experience may include professional experience in fund management, investment banking, corporate finance, business strategy, management consulting and corporate law. In the case of a VCMC or VCC, consideration may be given to past experience as a start-up founder.

An RP must also demonstrate managerial experience or experience in supervisory capacity as expected of his/her position. The SC will assess and approve each application on a case-by-case basis.

8. Can an individual be appointed as an RP for multiple registered corporations?

No, an individual cannot be appointed as an RP for multiple businesses except for entities within the same group.

9. Can an individual fill the role of an RP on a part-time basis?

No, a person to be appointed as an RP is expected to assume the role on a full-time basis.

10. Does the new appointment of or changes to an RP's appointment require the SC's approval?

Yes. Any appointment of an RP, whether new or as a replacement, requires approval by the SC. Upon approval, the registered corporation must notify the SC via EASy within 14 days of the effective date of appointment.

D. APPLICATION PROCESS

11. We are interested in registering our VC/PE firm under these Guidelines. How should we proceed?

Prior to making a formal application to the SC, applicants are expected to acquaint themselves with the Guidelines and this set of FAQs. In preparing their proposal to the SC, the applicants are required to clearly demonstrate in the proposal their abilities to carry out such regulated activity and compliance with all applicable requirements in the relevant guidelines.

For the essential components of a proposal, refer to the non-exhaustive list in the 'Supporting Document' section of Form 1.

12. How long is the application process for registration?

This is contingent upon various factors such as the completeness and the quality of the application, the complexity of the case, applicant's responsiveness and cooperation towards enabling proper consideration and determination of the application. The review process may take six weeks or longer from the date of complete submission of all information as required by the SC.

13. What must I do after my registration application is approved by the SC?

A request must be made to obtain access to the SC's Common Reporting Platform (ComRep). Please refer to section E for further information about ComRep.

E. COMMON REPORTING PLATFORM

14. How should periodic reports be submitted to the SC?

Regulatory filings under paragraphs 10.01(a), 10.01(c) and 10.01(d) must be made through ComRep. Submission of audited financial statements must be accompanied by a scanned copy of the auditor's report.

Click the link below for more information about ComRep:

<https://www.sc.com.my/analytics/common-reporting-platform-xbrl>

15. How do I gain access to ComRep?

A request must be made via e-mail to vcpecontact@seccom.com.my, and a Super Admin account will be provided. This account allows creation of new users for designated roles/access to the system, namely maker, approver, and viewer.

Click the link below for the ComRep User Manual:

<https://www.sc.com.my/analytics/common-reporting-platform-xbrl>

F. CUSTODIAN

16. Who is eligible to be appointed as a custodian?

A custodian, in the Guidelines, refers to persons as provided for under section 121 of the Capital Markets and Services Act 2007 (CMSA), which includes:

- a licensed banking institution in Malaysia or its wholly owned subsidiary that provides nominee services;
- a trust company registered under the Trust Companies Act 1949;
- Amanah Raya Berhad;
- a participating organisation as defined in the CMSA; or
- any institution licensed or authorised to provide custodian services outside Malaysia.

G. VALUATION

17. Does the SC prescribe specific standards of valuation to be adopted?

While registered corporations are encouraged to adopt international best practices for purposes of evaluating investments in venture corporations, the SC will not prescribe specific standards on valuation or disclosures to investors as these matters should be dictated by legal arrangements among all parties of the fund.

H. OTHERS

18. How do I deregister my company?

As prescribed under paragraph 13.11(d), registered corporation must notify the SC of cessation of business or deregistration via EASy within 14 days of the occurrence of the event.

19. We are a management company with a fund registered under the Guidelines prior to the 28 November 2022 revision. What will happen to the status of our registered fund?

Upon the revised Guidelines coming into effect, any fund entity that does not undertake VC/PE fund management activities will no longer be registered. Such registered fund entities will eventually be excluded from or indicated as ceased to be registered in the public register of licensed holders and registered persons.